THE RIGHT STUFF: Freshman point guard Katie Benzan, shown shooting in the home opener against Maine, led the Harvard women's basketball team in minutes played and points scored per game through January, helping to spark 16 consecutive wins (after an initial loss at Minnesota)—tying the longest such streak in Crimson basketball history and raising hopes for an Ivy League championship. For full coverage of winter sports, please see pages 26-30.

Endowment Overhaul

Beginning his eighth week as president and CEO of Harvard Management Company (HMC), N.V. Narvekar on January 25 announced sweeping changes in how the University’s $35.7-billion endowment will be invested. Change was expected. HMC’s average annualized rate of return on investments during the past 10 years has been 5.7 percent: significantly below both its targeted return of about 8 percent and the results recorded by peer institutions including MIT, Princeton, and Yale—all with investment processes that differ from Harvard’s and that earned returns above 8 percent in that period. Because distributions from the endowment account for more than one-third of Harvard’s operating revenues, persistent weak performance puts academic aims at risk across the University. Perhaps accordingly, Narvekar, who arrived after a successful tenure at Columbia’s investment operation (8.1 percent annual rate of return...
On internal management, he wrote, “the tremendous flow of capital to external managers has created a great deal of competition for both talent and ideas, therefore making it more difficult to attract and retain the necessary investment expertise while also remaining sufficiently nimble to exploit rapidly changing opportunities. As a result, active hedge fund-like investments managed internally at HMC now comprise a very small percentage of the overall endowment. We can no longer justify the organizational complexity and resources necessary to support them. Those internally managed funds will be outsourced by June, and the team that manages HMC’s direct real-estate investments (performing strongly since inception in 2010) will be spun off as a separate organization by yearend. The timber and agriculture portfolio, where returns have lagged, will be retained “at this time.” Severance costs will be reported as HMC expenses (reducing investment returns when incurred).

Turning to portfolio management per se, Narvekar said a “second organizational change is ultimately far more profound” for improving investment returns. Rather than focusing on individual asset classes (HMC’s traditional “policy portfolio” of allocations among stocks, bonds, private equity, real estate, and so on, and the modified model introduced by Narvekar’s predecessor, Stephen Blyth, in 2015), HMC will now adopt a “generalist” process and style. In place of “an overemphasis on individual asset class benchmarks,” the goal is for “all members of the investment team [to] take ownership of the entire portfolio. The team will have a singular focus: the performance of the overall endowment. HMC’s existing investment professionals focused on externally managed funds will form the core of this generalist team. Importantly, the generalist model will be supported by a partnership culture...
in which the collective team engages in focused debates about investment opportunities both within asset classes and across the investment universe.” That approach, he noted, is used “to varying degrees by a number of leading endowments,” and he seeks to adapt that process to Harvard’s requirements. Compensation will shift from individual portfolio managers’ performance relative to benchmarks for asset classes, toward the performance of the endowment overall; that change takes place this summer.

Getting the desired results will take time: existing investments, many illiquid, must be redeployed; new people and processes will have to arrive and take effect. Narvekar counseled patience, writing that he and HMC’s board “agree that transforming HMC’s organization and portfolio is a five-year process...[M]y experience at Columbia’s endowment proved that it did indeed require about five years to position both the organization and portfolio in order to deliver strong risk-adjusted returns.... While I believe HMC’s investment performance will be challenged in fiscal year 2017, by the end of the calendar year the organization will look and act very differently than it does today. It is also likely that our organization will experience more changes....When complete, the organization and portfolio will be better aligned to maximize future risk-adjusted returns at the appropriate risk appetite for Harvard.”

Beginning immediately, effecting those hoped-for improvements will involve new senior leaders: Rick Slocum, HMC’s first chief investment officer; and a trio of senior portfolio, analytical, risk, and research personnel from Columbia: Vir Dholabhai, Adam Goldstein, and Charlie Saravia, all appointed managing directors of HMC’s investment team. Read a complete report at harvard-mag.com/hmc-overhaul-17.

—JOHN S. ROSENBERG

**News Briefs**

**Washington Worries**

Changes to federal policy on finance and higher education may pose significant risks to universities. U.S. Representative Tom Reed (R-N.Y.), who was appointed a vice chair of President-elect Donald J. Trump’s transition team in late November, filed a new version of his Reducing

**Elizabeth Hinton’s fascination** with the past started early. “As a little girl, I used to ask my parents to tell me about what I called then ‘the olden times.’” One central piece of family history concerned their decision to leave Georgia in the early 1940s. One night, a white man sat down far to the rear of an otherwise empty bus, and when Hinton’s grandfather refused to change his own seat, the bus driver pulled out a gun. Eventually, her grandfather found a job in Michigan, where Hinton grew up. “I like to say I was born in Ann Arbor, came of age in New York”—she studied at NYU and Columbia—”and now I’m coming into myself in Boston.” In 2014, she joined Harvard’s history and African and African American studies departments as an assistant professor. Behind her desk, posters of McGruff the Crime Dog glare at visitors—a fixture of public-service announcements, billboards, and TV commercials in the 1980s, when he exhorted citizens to “Take a bite out of crime.” Hinton’s recent book, *From the War on Poverty to the War on Crime*, draws on government archives and a flurry of Freedom of Information Act requests to trace mass incarceration in the United States back to the Johnson administration. “Some of the first feedback I got on what would become the book,” she says, “was from men who had experienced the criminal justice system first-hand,” whom she’d met while visiting loved ones in correctional facilities in California. In a small city in the central part of that state, she’s now working with local law enforcement on new approaches to procedural justice. “The Chief kind of considers me the Stockton police historian,” says Hinton. “The ways in which history is centered in ideas about moving forward, really, really gives me hope about what’s possible.”

—SOPHIA NGUYEN